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SUBJECT: CYPRUS: WHERE WE ARE AT THE START OF FORMAL TALKS

11. (SBU) SUMMARY: At rock-bottom of a four-year impasse, few believed on January 1 that full-fledged Cyprus Problem negotiations would recommence during 2008. In the eight months since, however, Greek Cypriots dumped their intransigent leader and replaced him with freer-thinking Demetris Christofias, Turkish Cypriots regained a bit of their pro-solution bent, the international community took greater interest in reaching a solution, the local UN mission became re-energized around a new, well-liked leader, and pundits on both sides proclaimed conditions more favorable than ever to reunify the island. After sixteen weeks of preparatory, technical-level talks and four meetings between Christofias and T/C counterpart Mehmet Ali Talat, the sides on July 25 called on the UN to renew its Good Offices mission, which commences September 3 in Nicosia in the presence of newly-named UN Special Advisor Alexander Downer.

12. (SBU) The sides, substantive positions are well known. In exchange for giving ground on governance, power-sharing and economic issues, G/Cs will demand T/C concessions on territorial adjustments, property restitution, and Turkish troop withdrawal. While a cautious optimism prevails on both sides of the Green Line -- Talat, for example, continues to claim a settlement is do-able before year,s end -- areas of substantive discord continue to exceed points of convergence, and the level of inter-communal bickering has spiked in recent weeks. As such, all signs point to long and tough negotiations before any breakthrough is reached. Post will offer Septel suggestions on "managing" the process and avoiding some of the pitfalls encountered during and after the 2002-2004 "Annan Plan" effort. END SUMMARY.

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Quite the Turnaround in 08  
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13. (SBU) Two thousand eight began with pro-solution forces on both sides of the Green Line -- and in the international community -- fighting depression. Hard-line Greek Cypriot leader Tassos Papadopoulos had emerged on top in all but one of 50-odd pre-electoral polls and looked a shoo-in for re-election, boding poorly for renewed settlement negotiations. In the north, Turkish Cypriots were focusing greater attention on ending their economic and social isolation and winning pseudo-recognition for their community than on engaging the ill-trusted Papadopoulos. Despite brokering over 50 meetings of the sides, negotiators, UNFICYP had proven unable to activate the &July 8 (2006) Agreement,<sup>8</sup> and Special Representative of the Secretary General Michael Moller was fighting unrelenting Turkish effort to remove him for alleged pro-G/C bias. Another year of stalemate seemed likely, with the international community growing even more fatigued over the Cyprus Problem.

14. (SBU) A sea change ensued. Papadopoulos surprisingly lost in February, replaced by the pro-solution Communist, Christofias. The new RoC President reached out early to fellow comrade Talat, and within a month of inauguration, the Working Groups and Technical Committees envisioned in July 8 came together and began work. The unfairly-tarred but well-meaning Moller retired, replaced by a soft-spoken but jointly accepted Ethiopian UN diplomat, Taye-Brooke Zerihoun.

In a show of renewed, high-level UN interest in Cyprus, Under Secretary for Political Affairs Lynn Pascoe visited the island twice, and the Secretary General tapped former Australian FM Alexander Downer as his special adviser on Cyprus. A chemistry developed between the two Cypriot leaders in the course of four meetings in spring and summer, with each showing flexibility and making compromises in the joint statements that followed the sessions. Hard-liners, public reactions on both sides made clear that progress in future, substantive negotiations would be difficult, however.

On July 25, Talat and Christofias called on the UN Secretary General to renew his Good Offices mission and announced that full-fledged negotiations would commence on September 3.

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Sides Arrayed As Expected  
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15. (SBU) In the UN-brokered sessions, the leaders attempted to paint a broadest-brush picture of the reunited island. Talat drew first blood on May 23, as the leaders, communique described the new state as a partnership with constituent states of equal status, long-time T/C demands. Christofias evened the score on June 1 by securing a G/C necessity that the reunified nation have a single citizenship and sovereignty. In zero-sum Cyprus, however, each &victory8 was portrayed as a crushing defeat in the

opposite community, and hard-liners complained that their respective leaders were abandoning long-held principles.

16. (SBU) Progress varied considerably in the working groups tasked with studying substantive aspects of the Cyprus negotiations (the technical committees tackling matters of day-to-day life on the island delivered more uniform results). &Grades8 ranged from &A-& for EU Affairs, Economic Matters, and Governance/Power Sharing, to don,t-show-Dad-the-report-card for Security/Guarantees, Territory, and Property. As the groups broke for the August recess, a conventional wisdom emerged. The leaders in September were expected first to tackle the low-hanging fruit (governance, specifically) in order to build negotiating momentum and trust, and then move to tougher issues like property.

17. (SBU) Greek Cypriot contacts offered the following explanation why great advances had occurred in three working groups, but not the others. On developing a joint economy, managing the EU relationship, and transforming the Republic from a unitary to a federal state, the G/C side was all give, no take -- in other words, the fundamental issue was how to devolve a degree of power and authority to Turkish Cypriots. Regarding property returns, territorial adjustment, and the question of Turkish troop presence and a continued guarantor right for Ankara, however, the G/C side depended on its opposite,s largess -- and on the acquiescence of Turkey; hence, the paucity of progress. Whether true or not, this does describe the sides, positions as full-fledged talks begin: G/Cs will seek to minimize their concessions on governance, the economy, and EU matters by arguing, for example, for strong federal institutions and weaker constituent states, a unified economy with a single central bank and few derogations on competition and capital movement, and a single representation in Brussels. Conversely, on property, territory, and security/guarantees, Christofias will aim for full right-of-return for refugees, a Greek Cypriot constituent state whose size is faithful to the island,s 1960 population breakdown (80 percent G/C), and an early withdrawal of all Turkish troops and end to Turkey,s guarantor role. As expected, T/C positions differ from G/C

ones by 180 degrees.

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Hopes in Hearts, Worries in Minds  
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18. (SBU) A cautious confidence reigns on the island amongst locals and internationals on the eve of negotiations. Of the two leaders, Talat appears the more optimistic, regularly voicing his belief that a solution is reachable in 2008. Perhaps he hopes to create a self-fulfilling prophecy, as his political future, more so than Christofias's, depends on positive CyProb movement. The G/C leader also asserts the sides can reach agreement -- but only if Turkey gives Talat room to maneuver. His is a familiar Greek Cypriot refrain: Greek- and Turkish Cypriots could coexist productively and in peace, if only the Turkish &Attila8 would withdraw.

19. (SBU) Skeptics see plenty of potential potholes in the negotiating road ahead, however. They include:

-- A decaying negotiating climate on the eve of talks. Spokesmen Stephanos Stephanou (G/C) and Hassan Ercakica (T/C) are trading allegations doubting the other side's sincerity and determination to reach a fair solution. Not one of the nearly 20 confidence-building measures (CBMs) announced in July has been implemented, to the UN's great dismay. And the T/C side refused to open a Buffer Zone crossing route at Limnitis to allow Greek Cypriot celebrants to attend Mass at St. Mamas Church in Morphou on September 2, even though two weeks earlier the G/C side had allowed a much-larger, southbound passage of Turkish Cypriots via the same route. The T/C decision caused G/C negotiator George Iacovou to storm out of the representatives, August 29 meeting and resulted in the cancellation of the St. Mamas Mass. A wave of negative press has followed, with pro-solution G/Cs feeling betrayed and the hard-liners vindicated.

-- Questionable Support from Elements of Turkish Establishment: Most Embassy contacts canvassed attribute the negative Limnitis decision not to Talat, but to the Turkish military. Greek Cypriot leaders and media have questioned, &if the TGS refuses to open one checkpoint to seventy Greek Cypriots for a couple of hours, citing security concerns, how will they ever agree to withdraw from the island after a settlement?8

-- Politically Weak T/C Leadership: Talat's approval ratings continue to drop, although an imploding Turkish Cypriot economy and poor domestic governance, rather than his CyProb stewardship, deserve most blame. Recent polls show the hard-line, nationalist UBP garnering greater support than Talat's CTP, and early &parliamentary8 elections in 2008, while unlikely, could still occur. Talat therefore must not appear too conciliatory or willing to &sell out the TRNC,8 lest he open himself to attacks from the nationalist right.

-- Christofias Stronger with Enemies than Allies: The Greek Cypriot leader enjoys greater support for his CyProb approach from opposition DISY than from his &alleged8 allies EDEK and DIKO. The latter organizations still smart from Papadopoulos's February defeat, and the former President's solution ideology -- &total victory is the only victory,8 and a preference for the status quo over an imperfect but still mutually-beneficial outcome -- still resonates among their leaders. EDEK and DIKO will pounce should Christofias cross G/C red lines, as on July 1 when he approved the &partnership8 state arrangement.

-- A False Sense of Progress from the Preparatory Phase: Christofias and Talat on July 25 &undertook a final review of the work of the Working Groups... and decided to start full-fledged negotiations on September 3.8 The drafters deliberately avoided the phrase &and based on their results, decided to start...8 for good reason. The sides, positions on three of the four core CyProb issues -- security/guarantees, property restitution/compensation, and territorial adjustment -- remain as disparate as before the

process started. That Christofias gave the green light for formal talks had little to do with careful analysis of working group progress, but rather was a political decision true to his pro-solution ideology.

-- Procedural Framework Still in Question: Barely a week before the substantive start of negotiations on September 11, neither the sides nor the UN know what to expect in the negotiating rooms. Iacovou and Nami were to have ironed out a short-term game plan in the run-up to September 3, but their meetings proved acrimonious and borderline-productive (August 27) or abortive (August 29). UNFICYP contacts inform they will continue their facilitative, not directing role, which might work fine in areas of convergence, such as governance/power sharing where the sides have issued a joint roadmap for talks. But on more contentious subjects, the G/C side, for domestic political reasons, is not yet ready to grant the UN, the guarantor powers, the U.S., or any other party greater authorities.

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Recognizing Threats to Momentum, Sides React  
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110. (SBU) Despite the recent bickering and flap over Limnitis having raised temperatures in both communities, their leaders are trying to maintain positive momentum as the formal talks begin. G/C Spokesman Stephanou on August 31 called on Greek Cypriots &to remain responsible and not damage our own side,s positions (by overreacting on Limnitis); let us not allow this issue to become THE issue.8  
Remarks from T/C PR and media-types were similar. Between the lines, their message read: these negotiations are certain to be long and arduous, and the sides, numerous red lines will generate regular &crises8 to test the patience of all parties to the conflict.  
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